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July 2, 2004

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Hon. Steven W. Williams, Secretary
Postal Rate Commission
1333 H Street, NW, Suite 300
Washington, D.C. 20268-0001

Dear Mr. Williams:

During our initial research for CONFIRM, some consumers expressed interest in a capability that would provide evidence of delivery, particularly critical documents sent as letters or flats. Since the CONFIRM product was aimed at larger mailers and a known consumer interest was largely unexplored, the Postal Service agreed in the CONFIRM settlement to investigate consumer interest and to provide a report about that investigation. Specifically, the settlement agreement in Docket No. MC2002-1, paragraph 4, stated:

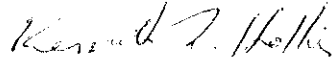
The Postal Service agrees that exploration of a consumer oriented product that relies upon the PLANET Code technology used by CONFIRM warrants further consideration; in settlement discussions and via discovery, the OCA has sought to encourage such research. The Postal Service agrees to continue qualitative exploration of a consumer oriented product, and, as a condition of settlement, to provide a status report directly to all participants to this proceeding between six and twelve months after implementation of CONFIRM regarding steps that have been taken toward defining such a product together with a summary of whether such a product appears likely to be pursued and why. Absent contrary agreement, all participants shall be free to place such report in the public realm. Finally, in light of the novel approach to pricing CONFIRM on a subscription basis with extra cost options, the Postal Service also anticipates evaluating how well the chosen approach meets customer needs and whether it warrants changing.

This letter constitutes the report called for by the foregoing paragraph. Several circumstances explain, in part, why it is being submitted later than projected above. When the Postal Service agreed to provide a report, the then-current Manager, Special Services, was the responsible official whose agreement was obtained. He was already formulating plans for research expected to provide the requisite illumination.

Since then, that manager has retired, and there have been a number of other key management and program changes as well. Despite the initial expectation that the Postal Service would move promptly to consideration of consumers' interest in a CONFIRM-based product, management was required to maintain focus on meeting existing customers' needs and integrating CONFIRM with other technical developments. In any event, recent feedback from customers and postmasters suggests that the consumer interest centers on delivery, not mail processing. In other words, the consumer need better resembles delivery confirmation on First-Class Mail flats and letters, rather than what CONFIRM is designed to provide — namely the timing and location of a mail processing scan just upstream of delivery. Accordingly, a contract has been concluded for qualitative market research involving interviews with small business owners and household consumers to gauge customer interest and how that interest may be accommodated using PLANET Codes, Delivery Confirmation, or some other service or technology.

We regret having provided this information later than it was contemplated. However, we still look forward to the research results and opportunity to meet consumer needs.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth N. Hollies".

Kenneth N. Hollies

cc: Docket No. MC2002-1 (CONFIRM) Service List